

Lijun International Pharmaceutical (Holding) Co., Ltd.
Condensed Consolidated Interim Financial Information
For the six months ended 30 June 2012



羅兵咸永道

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
LIJUN INTERNATIONAL PHARMACEUTICAL (HOLDING) CO., LTD.
(incorporated in the Cayman Islands with limited liability)**

Introduction

We have reviewed the interim financial information set out on pages 2 to 21, which comprises the condensed consolidated balance sheet of Lijun International Pharmaceutical (Holding) Co., Ltd. (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 August 2012

Lijun International Pharmaceutical (Holding) Co., Ltd.**As at 30 June 2012**

(All amounts in HK\$ unless otherwise stated)

Condensed consolidated balance sheet

	Note	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
ASSETS			
Non-current assets			
Land use rights	7	216,313	220,433
Property, plant and equipment	7	1,453,340	1,444,819
Intangible assets	7	310,025	316,896
Deferred income tax assets		20,484	21,526
Available-for-sale financial assets		158	159
Other non-current assets		24,533	-
Total non-current assets		<u>2,024,853</u>	<u>2,003,833</u>
Current assets			
Inventories		394,964	342,318
Trade and bill receivables	8	866,143	704,666
Financial assets at fair value through profit or loss		7,155	2,367
Prepayments, deposits and other receivables		132,056	128,933
Pledged bank deposits		2,656	4,443
Cash and cash equivalents		240,366	257,980
Total current assets		<u>1,643,340</u>	<u>1,440,707</u>
Total assets		<u>3,668,193</u>	<u>3,444,540</u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	9	55,639	55,703
Reserves	10	2,332,122	2,239,974
		<u>2,387,761</u>	<u>2,295,677</u>
Non-controlling interests		<u>612</u>	<u>616</u>
Total equity		<u>2,388,373</u>	<u>2,296,293</u>

Lijun International Pharmaceutical (Holding) Co., Ltd.**As at 30 June 2012**

(All amounts in HK\$ unless otherwise stated)

Condensed consolidated balance sheet (continued)

	Note	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings	14	57,507	86,822
Deferred income tax liabilities		23,728	25,344
Deferred revenue		8,380	10,608
Long-term payables	12	9,338	10,548
Total non-current liabilities		<u>98,953</u>	<u>133,322</u>
Current liabilities			
Trade and bill payables	13	305,732	259,986
Advanced receipts from customers		14,876	17,271
Dividends payable		6,050	6,050
Accruals and other payables		325,326	393,338
Income tax payable		21,151	8,487
Borrowings	14	507,732	329,793
Total current liabilities		<u>1,180,867</u>	<u>1,014,925</u>
Total liabilities		<u>1,279,820</u>	<u>1,148,247</u>
Total equity and liabilities		<u>3,668,193</u>	<u>3,444,540</u>
Net current assets		<u>462,473</u>	<u>425,782</u>
Total assets less current liabilities		<u>2,487,326</u>	<u>2,429,615</u>

WU QIN
DIRECTOR**QU JIGUANG**
DIRECTOR

The notes on [page 7 to 21 form](#) an integral part of these condensed consolidated interim financial statements.

Lijun International Pharmaceutical (Holding) Co., Ltd.**For the six months ended 30 June 2012**

(All amounts in HK\$ unless otherwise stated)

Condensed consolidated statement of comprehensive income

	Note	Six months ended 30 June 2012 Unaudited HK\$'000	2011 Unaudited HK\$'000
Revenue	6	1,223,626	1,088,903
Cost of sales		(690,717)	(602,624)
Gross profit		<u>532,909</u>	<u>486,279</u>
Other losses - net		4,976	(110)
Selling and marketing costs		(206,324)	(211,267)
General and administrative expenses		(142,471)	(101,855)
Operating profit	15	<u>189,090</u>	<u>173,047</u>
Finance income		755	1,616
Finance costs		(16,043)	(11,534)
Finance costs - net		(15,288)	(9,918)
Profit before income tax		<u>173,802</u>	<u>163,129</u>
Income tax expenses	16	(31,557)	(28,103)
Profit for the period		<u>142,245</u>	<u>135,026</u>
Other comprehensive income:			
Currency translation differences		(11,308)	50,697
Total comprehensive income for the period		<u>130,937</u>	<u>185,723</u>
Profit attributable to:			
- Equity holders of the Company		142,246	135,010
- Non-controlling interests		(1)	16
		<u>142,245</u>	<u>135,026</u>
Total comprehensive income attributable to:			
- Equity holders of the Company		130,941	185,707
- Non-controlling interests		(4)	16
		<u>130,937</u>	<u>185,723</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK\$ per share)			
- Basic	18	<u>0.0582</u>	<u>0.0552</u>
- Diluted	18	<u>0.0582</u>	<u>0.0552</u>
Dividends	17	<u>48,832</u>	<u>48,896</u>

The notes on [page 7 to 21](#) form an integral part of these condensed consolidated interim financial statements.

Lijun International Pharmaceutical (Holding) Co., Ltd.

For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

Condensed consolidated statement of changes in equity

	Unaudited				
	Attributable to equity holders of the Company			Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Reserves HK\$'000	Total HK\$'000		
Balance at 1 January 2012	55,703	2,239,974	2,295,677	616	2,296,293
Comprehensive income					
Profit for the period	-	142,246	142,246	(1)	142,245
Other comprehensive income					
Currency translation differences	-	(11,305)	(11,305)	(3)	(11,308)
Total comprehensive income	-	130,941	130,941	(4)	130,937
Transactions with equity holders					
Repurchase of the Company's shares (Note 10)	-	(5,520)	(5,520)	-	(5,520)
Cancellation of shares repurchased (Note 10)	(64)	62	(2)	-	(2)
Dividends paid to equity holders of the Company	-	(48,865)	(48,865)	-	(48,865)
Employee share option scheme – value of employee services (Note 11)	-	15,530	15,530	-	15,530
Total transactions with equity holders	(64)	(38,793)	(38,857)	-	(38,857)
Balance at 30 June 2012	55,639	2,332,122	2,387,761	612	2,388,373
Balance at 1 January 2011	55,905	2,299,214	2,355,119	1,178	2,356,297
Comprehensive income					
Profit for the period	-	135,010	135,010	16	135,026
Other comprehensive income					
Currency translation differences	-	50,697	50,697	-	50,697
Total comprehensive income	-	185,707	185,707	16	185,723
Transactions with equity holders					
Repurchase of the Company's shares	-	(6,757)	(6,757)	-	(6,757)
Cancellation of shares repurchased	(202)	195	(7)	-	(7)
Dividends paid to equity holders of the Company	-	(48,977)	(48,977)	-	(48,977)
Total transactions with equity holders	(202)	(55,539)	(55,741)	-	(55,741)
Balance at 30 June 2011	55,703	2,429,382	2,485,085	1,194	2,486,279

The notes on [page 7 to 21 form](#) an integral part of these condensed consolidated interim financial statements.

Lijun International Pharmaceutical (Holding) Co., Ltd.**For the six months ended 30 June 2012**

(All amounts in HK\$ unless otherwise stated)

Condensed consolidated statement of cash flows

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Cash flows generated from operating activities – net	40,182	92,414
Cash flows used in investing activities – net	(159,295)	(227,642)
Cash flows generated from / (used in) financing activities – net	99,977	(95,124)
Net decrease in cash and cash equivalents	(19,136)	(230,352)
Cash and cash equivalents at 1 January	257,980	598,911
Effect of foreign exchange rate changes	1,522	1,045
Cash and cash equivalents at 30 June	240,366	369,604

The notes on **page 7 to 21 form** an integral part of these condensed consolidated interim financial statements.

Lijun International Pharmaceutical (Holding) Co., Ltd.

For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

Notes to the condensed consolidated financial information

1 General information

Lijun International Pharmaceutical (Holding) Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") are engaged in the research, development, manufacturing and selling of a wide range of finished medicines and bulk pharmaceutical products to hospitals and distributors. The Group has manufacturing plants in Hebei Province and Shaanxi Province, the People's Republic of China ("Mainland China"), and sells to customers mainly in the Mainland China.

The Company is an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of the Company's registered office is Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company's shares have been listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 20 December 2005.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("HK\$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Company's Board of Directors on 21 August 2012.

These condensed consolidated interim financial statements have not been audited.

2 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2012 have been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

There are no other amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on this Group.

The following new standards and amendments to standards have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective date
HKFRS 9	Financial instruments	1 January 2015
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 12	Disclosures of interests in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
HKAS 19 (Amendment)	Employee benefits	1 January 2013

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

Lijun International Pharmaceutical (Holding) Co., Ltd.
For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2011.

5 Financial risk management

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

There have been no changes in the risk management department since year end or in any risk management policies.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

5.3 Fair value estimation

The different levels of financial instruments carried at fair value, by valuation method, have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As of 30 June 2012, the Group has financial instruments with amount of HK\$ 7,155,000 (31 December 2011: HK\$ 2,367,000). The fair value of financial assets traded in active markets (such as financial assets at fair value through profit or loss) that were recorded during the period ended 30 June 2012 is based on quoted market prices at the reporting date (level 1).

The carrying value less impairment provision of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the six months ended 30 June 2012, there were no significant changes in the business or economic circumstances that affect the fair value of the Group's financial assets and financial liabilities.

For the six months ended 30 June 2012, there were no reclassifications of financial assets.

Lijun International Pharmaceutical (Holding) Co., Ltd.
For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

6 Segment information

The chief operating decision-maker has been identified as the executive directors. The decision-maker reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The decision-maker considers the business from a product perspective. From a product perspective, management assesses the performance of two product segments, namely intravenous infusion solution and antibiotics and others.

The decision-maker assesses the performance of the operating segments based on a measure of revenue and profit. This measurement is consistent with that in the annual financial statements.

Unallocated operating loss mainly represents corporate expenses.

Segment assets consist primarily of land use rights, property, plant and equipment, intangible assets, inventories, trade and bill receivables, prepayments, deposits and other receivables, pledged bank deposits and cash and cash equivalents. Unallocated assets mainly comprise corporate cash.

Segment liabilities comprise mainly operating liabilities. Unallocated liabilities mainly comprise corporate borrowings.

The revenue from external parties reported to the management is measured in a manner consistent with that in the condensed consolidated interim statement of comprehensive income.

Lijun International Pharmaceutical (Holding) Co., Ltd.

For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

6 Segment information (continued)

	Unaudited			Total HK\$'000
	Intravenous infusion solution HK\$'000	Antibiotics and others HK\$'000	Unallocated HK\$'000	
Six months ended 30 June 2012				
Revenue	665,442	558,184	-	1,223,626
Operating profit/(loss) segment results	162,518	53,423	(26,851)	189,090
Finance income	423	87	245	755
Finance costs	(9,534)	(6,041)	(468)	(16,043)
Profit/(loss) before income tax	153,407	47,469	(27,074)	173,802
Income tax expenses	(24,051)	(7,506)	-	(31,557)
Profit/(loss) for the period	129,356	39,963	(27,074)	142,245

	Unaudited			Total HK\$'000
	Intravenous infusion solution HK\$'000	Antibiotics and others HK\$'000	Unallocated HK\$'000	
Six months ended 30 June 2011				
Revenue	491,486	597,417	-	1,088,903
Operating profit/(loss) segment results	115,737	67,672	(10,362)	173,047
Finance income	544	301	771	1,616
Finance costs	(5,843)	(4,156)	(1,535)	(11,534)
Profit/(loss) before income tax	110,438	63,817	(11,126)	163,129
Income tax expenses	(17,815)	(10,288)	-	(28,103)
Profit/(loss) for the period	92,623	53,529	(11,126)	135,026

Lijun International Pharmaceutical (Holding) Co., Ltd.

For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

6 Segment information (continued)

	Unaudited			Total HK\$'000
	Intravenous infusion solution HK\$'000	Antibiotics and others HK\$'000	Unallocated HK\$'000	
As at 30 June 2012				
Total assets	2,228,844	1,317,165	122,184	3,668,193
Total liabilities	872,565	407,127	128	1,279,820
	Audited			Total HK\$'000
	Intravenous infusion solution HK\$'000	Antibiotics and others HK\$'000	Unallocated HK\$'000	
As at 31 December 2011				
Total assets	2,074,263	1,254,941	115,336	3,444,540
Total liabilities	814,971	319,529	13,747	1,148,247

7 Land use rights, property, plant and equipment and intangible assets

	Unaudited			
	Land use rights HK\$'000	Property, plant and equipment HK\$'000	Goodwill HK\$'000	Other intangible assets HK\$'000
Six months ended 30 June 2012				
Opening net book amount as at 1 January 2012	220,433	1,444,819	248,610	68,286
Additions	-	87,831	-	3,433
Disposals	-	(8,218)	-	-
Depreciation/Amortisation	(2,906)	(63,041)	-	(9,943)
Exchange differences	(1,214)	(8,051)	-	(361)
Closing net book amount as at 30 June 2012	216,313	1,453,340	248,610	61,415
Six months ended 30 June 2011				
Opening net book amount as at 1 January 2011	215,565	994,067	472,162	79,815
Additions	-	139,215	-	-
Disposals	-	(6,129)	-	-
Depreciation/Amortisation	(2,844)	(45,404)	-	(9,332)
Exchange differences	5,005	22,578	10,964	1,745
Closing net book amount as at 30 June 2011	217,726	1,104,327	483,126	72,228

As at 30 June 2012, the Group's land use rights and property, plant and equipment with net book amounts of HK\$ 57,706,000 (31 December 2011: HK\$ 50,025,000) and HK\$ 408,329,000 (31 December 2011: HK\$ 246,470,000) respectively were pledged as collateral for the Group's bank borrowings (Note 14).

Lijun International Pharmaceutical (Holding) Co., Ltd.
For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

8 Trade and bill receivables

The Group generally required its customers to settle sales invoices within 3 months. Ageing analysis of trade and bill receivables is as follows:

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Within 3 months	734,843	627,850
4 to 6 months	56,391	29,746
7 to 12 months	50,411	34,451
1 to 2 years	35,019	15,380
2 to 3 years	3,228	3,900
More than 3 years	15,566	13,684
	<u>895,458</u>	<u>725,011</u>
Less: Provision for impairment	<u>(29,315)</u>	<u>(20,345)</u>
	<u>866,143</u>	<u>704,666</u>

9 Share capital

	Number of shares '000	Ordinary shares HK\$'000
Authorised		
At 30 June 2011 and 2012 (ordinary shares with par value of HK\$ 0.02 each)	<u>10,000,000</u>	<u>200,000</u>
Issued and fully paid up		
At 1 January 2012	2,444,814	55,703
Cancellation of repurchase of the Company's shares (Note 10(b))	(3,210)	(64)
At 30 June 2012 (unaudited)	<u>2,441,604</u>	<u>55,639</u>
At 1 January 2011	2,454,904	55,905
Cancellation of repurchase of the Company's shares	(10,090)	(202)
At 30 June 2011 (unaudited)	<u>2,444,814</u>	<u>55,703</u>

Lijun International Pharmaceutical (Holding) Co., Ltd.

For the six months ended 30 June 2012

(All amounts in HK\$ unless otherwise stated)

10 Reserves

	Unaudited						
	Share premium HK\$'000	Capital redemption reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Share-based payment reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2012	1,351,525	-	176,819	202,447	-	509,183	2,239,974
Repurchase of the Company's shares (a)	-	-	-	-	-	(5,520)	(5,520)
Cancellation of shares repurchased (b)	-	64	-	-	-	(2)	62
Dividends paid to equity holders of the Company	-	-	-	-	-	(48,865)	(48,865)
Profit for the period	-	-	-	-	-	142,246	142,246
Employee share option scheme - value of employee services (Note 11)	-	-	-	-	15,530	-	15,530
Currency translation differences	-	-	-	-	-	(11,305)	(11,305)
At 30 June 2012	1,351,525	64	176,819	202,447	15,530	585,737	2,332,122
At 1 January 2011	1,371,873	-	176,670	173,241	-	577,430	2,299,214
Repurchase of the Company's shares	-	-	-	-	-	(6,757)	(6,757)
Cancellation of shares repurchased	-	202	-	-	-	(7)	195
Dividends paid to equity holders of the Company	-	-	-	-	-	(48,977)	(48,977)
Profit for the period	-	-	-	-	-	135,010	135,010
Currency translation differences	-	-	-	-	-	50,697	50,697
At 30 June 2011	1,371,873	202	176,670	173,241	-	707,396	2,429,382

- (a) During the period from 28 March 2012 to 4 June 2012, the Company repurchased 3,210,000 ordinary shares of the Company through the Stock Exchange at an aggregate consideration of approximately HK\$5,520,000, which had been deducted from retained earnings within shareholders' equity.
- (b) On 30 April 2012 and 29 June 2012, the Company cancelled 1,570,000 and 1,640,000 ordinary shares repurchased respectively. Directly attributable expenses of approximately HK\$ 2,000 relating to the cancellation were charged against the retained earnings of the Company. After the cancellation, the Company's ordinary shares in issue were reduced from 2,444,814,000 to 2,441,604,000 (Note 9). The amount of share capital cancelled at HK\$ 64,000 was transferred from share capital to capital redemption reserve.

Lijun International Pharmaceutical (Holding) Co., Ltd.
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11 Share-based payments

As approved by the board of directors' meeting on 3 May 2012, 40,000,000 share options were granted to two directors at an exercise price of HK\$ 1.78 per share, which represents the higher of (i) the closing price of the share on the date of grant; and (ii) the average closing price of the share for 5 trading days immediately preceding the date of grant. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Average exercise price in HK\$ per share	Number of Options (thousands)
At 1 January 2012	-	-
Granted	1.78	40,000
At 30 June 2012	<u>1.78</u>	<u>40,000</u>

Details of share options outstanding at 30 June 2012 are as follows:

Exercisable from	Expiry date	Exercise price in HK\$ per share	Number of Options (thousands)
3 May 2012	2 May 2015	<u>1.78</u>	<u>40,000</u>

The weighted average fair value of options granted on 3 May 2012 determined by using the Binomial Model was HK\$ 0.39 per option. The significant inputs into the model were share price at the grant date, the exercise price shown above, expected volatility of 62.15%, expected dividend yield of 2.26% and risk-free interest rate of 0.32%. The share price at the grant date is the closing price of the Company's listed shares as of the grant date. The expected volatility measured at the standard deviation of expected share price returns is based on statistical analysis of historical share prices of the listed companies with similar business to the Group. The expected dividend yield is measured based on the dividend yield per companies with similar business as projected by Bloomberg, which agree to the Directors' best estimation based on the expected future performance and dividend policy of the Group.

The attributable amount charged to the condensed consolidated statement of comprehensive income statement for the six months ended 30 June 2012 was approximately HK\$ 15,530,000.

Lijun International Pharmaceutical (Holding) Co., Ltd.
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12 Long-term payables

Long-term payables mainly represent the present value of the Group's obligations for post-employment benefits. The maturity profile of the long-term payables is as follows:

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Within 1 year	88	673
Between 1 to 2 years	79	561
Between 2 to 5 years	643	1,323
More than 5 years	8,616	8,664
	<u>9,426</u>	<u>11,221</u>
Less: Current portion included in current liabilities	(88)	(673)
	<u><u>9,338</u></u>	<u><u>10,548</u></u>

13 Trade and bill payables

Ageing analysis of trade and bill payables is as follows:

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Within 3 months	183,845	195,371
4 to 6 months	57,900	25,817
7 to 12 months	39,187	23,163
1 to 3 years	22,269	14,474
More than 3 years	2,531	1,161
	<u>305,732</u>	<u>259,986</u>

Lijun International Pharmaceutical (Holding) Co., Ltd.
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(All amounts in HK\$ unless otherwise stated)

14 Borrowings

	30 June 2012 Unaudited HK\$'000	31 December 2011 Audited HK\$'000
Non-current		
Non-current portion of long-term bank borrowings	57,507	86,822
Current		
Current portion of long-term bank borrowings	60,000	76,760
Short-term bank borrowings	447,732	253,033
	<u>507,732</u>	<u>329,793</u>
Total borrowings	<u>565,239</u>	<u>416,615</u>
Representing:		
Unsecured	239,199	129,683
Secured (i)	326,040	264,842
Guaranteed (ii)	-	22,090
	<u>565,239</u>	<u>416,615</u>

(i) As at 30 June 2012, certain of the Group's borrowings were secured by the Group's land use rights with a net book amount of HK\$ 57,706,000, and the Group's buildings, plant and machinery with a net book amount of HK\$ 408,329,000. As at 31 December 2011, certain of the Group's borrowings were secured by the Group's land use rights with a net book amount of HK\$ 50,025,000, and the Group's buildings, plant and machinery with a net book amount of HK\$ 246,470,000.

(ii) As at 31 December 2011, certain of the Group's bank borrowings were guaranteed by Xi'an Lijun Pharmaceutical Co., Ltd., a wholly owned subsidiary of the Company.

Interest expenses on bank borrowings for the six months ended 30 June 2012 were HK\$ 13,665,900 (six months ended 30 June 2011: HK\$ 11,172,000).

Movements in borrowings were analysed as follows:

	Unaudited HK\$'000
Six months ended 30 June 2012	
As at 1 January 2012	416,615
Proceeds from borrowings	338,270
Repayments of borrowings	(188,349)
Exchange differences	(1,297)
As at 30 June 2012	<u>565,239</u>
Six months ended 30 June 2011	
As at 1 January 2011	433,146
Proceeds from borrowings	338,481
Repayments of borrowings	(404,467)
Exchange differences	9,292
As at 30 June 2011	<u>376,452</u>

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15 Operating profit

The following items have been charged/(credited) to the operating profit during the six months ended 30 June 2012 and 2011:

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Gain on disposal of property, plant and equipment	(998)	(142)
Depreciation of property, plant and equipment	63,041	45,404
Reversal of provision for impairment of inventories	(442)	(580)
Provision for / (Reversal of) impairment of receivables	9,120	(3,384)
Amortisation of intangible assets	9,943	9,332
Amortisation of land use rights	2,906	2,844
Foreign exchange loss / (gain), net	1,140	(480)

16 Income tax expenses

The Company was incorporated in the Cayman Islands as an exempted company and, accordingly, is exempted from payment of the Cayman Islands income tax.

The Group had no assessable profits in Hong Kong and, accordingly, no Hong Kong profits tax was provided.

Xi'an Lijun Pharmaceutical Co., Ltd., Shijiazhuang No. 4 Pharmaceutical Co., Ltd., Hebei Jinmen Pharmaceutical Import & Export Co., Ltd., Hebei Guolong Pharmaceutical Co., Ltd., Hebei Guangxiang Pharmaceutical Technology Co., Ltd., and Hebei Guangxiang Logistics Co., Ltd., the wholly owned subsidiaries of the Company, established and operate in Mainland China are subject to Mainland China Corporate Income Tax ("CIT") at an applicable rate of 25%.

Xi'an Lijun Pharmaceutical Co., Ltd. and Shijiazhuang No. 4 Pharmaceutical Co., Ltd. are qualified as high technology enterprises and entitled to a 15% preferential CIT rate for the years from 2012 to 2014.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Current income tax	32,116	26,869
Deferred income tax	(559)	1,234
	<u>31,557</u>	<u>28,103</u>

17 Dividends

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Interim dividend, proposed, of HK\$ 2 cents (six months ended 30 June 2011: HK\$ 2 cents) per ordinary share	<u>48,832</u>	<u>48,896</u>

At a meeting held on 21 August 2012, the directors recommended the payment of an interim dividend of HK\$ 2 cents per ordinary share, totalling HK\$ 48,832,000 in respect of the six months ended 30 June 2012. The proposed dividend has not been reflected as a dividend payable in this condensed consolidated interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2012.

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18 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit attributable to equity holders of the Company	142,246	135,010
Weighted average number of ordinary shares in issue (thousands)	2,444,279	2,447,232
Basic earnings per share (HK\$ per share)	0.0582	0.0552

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company are share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2012	2011
	Unaudited	Unaudited
	HK\$'000	HK\$'000
Profit used to determine diluted earnings per share	142,246	135,010
Weighted average number of ordinary shares in issue (thousands)	2,444,279	2,447,232
Adjustment for share options (thousands)	991	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,445,270	2,447,232
Diluted earnings per share as reflected on the comprehensive income statement (HK\$ per share)	0.0582	0.0552

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19 Related-party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

(a) The directors are of the view that the following companies are related parties of the Group:

Name	Relationship
Rejoy Group Limited Liability Company ("Rejoy Group")	An entity significantly influenced by certain key management personnel of the Group
Xi'an Rejoy Packaging Materials Co., Ltd. ("Rejoy Packaging")	Subsidiary of Rejoy Technology
Xi'an Rejoy Medicine Co., Ltd. ("Rejoy Medicine")	Subsidiary of Rejoy Group

(b) Except for related party transactions disclosed elsewhere in this condensed consolidated interim financial information, the Group had the following significant transactions with related parties:

Nature of transactions	Name of related party	Six months ended 30 June	
		2012	2011
		Unaudited	Unaudited
		HK\$'000	HK\$'000
Purchasing of raw materials and packaging materials from	- Rejoy Packaging	2,359	1,140
Sales of finished goods to	- Rejoy Medicine	1,485	5,446
Payment of administrative costs to	- Rejoy Packaging	111	71

In the opinion of the Company's directors and the Group's management, the above related party transactions were carried out in the ordinary course of business, and in accordance with the terms of the underlying agreements and/or the invoices issued by the respective parties.

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19 Related-party transactions (continued)

(c) Key management compensation

	Six months ended 30 June	
	2012	2011
	Unaudited HK\$'000	Unaudited HK\$'000
Salaries and wages	5,470	5,076

(d) The Group had the following significant balances with related parties:

	30 June	31 December
	2012	2011
	Unaudited HK\$'000	Audited HK\$'000
Amounts due from related parties included in trade receivables		
- Rejoy Medicine	7,025	6,788
Amounts due from related parties included in other receivables		
- Rejoy Packaging	16	17
- Rejoy Group	31	271
	47	288
Amounts due to related parties included in trade payables		
- Rejoy Group	-	797
- Rejoy Packaging	167	244
	167	1,041

The related party balances are unsecured, interest free and no pre-determined terms of repayment.

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20 Commitments

(a) Capital commitments

Capital expenditure at the balance sheet dates contracted but not yet provided for is as follows:

	30 June 2012	31 December 2011
	Unaudited	Audited
	HK\$'000	HK\$'000
Property, plant and equipment	15,303	5,935

(b) Operating lease commitments

The future aggregate minimum lease rental expense in respect of office premises in the Mainland China and Hong Kong under non-cancellable operating leases are payable as follows:

	30 June 2012	31 December 2011
	Unaudited	Audited
	HK\$'000	HK\$'000
Not later than one year	1,759	2,882
Later than one year and not later than five years	1,237	1,730
More than five years	6,129	7,751
	<u>9,125</u>	<u>12,363</u>